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DIA and DOS review(s) completed.

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GENERAL

1. Communists reportedly approach India and Indonesia as POW custodian:

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The Chinese Communists have approached India on the question of becoming the custodian for Korean war prisoners, according to the Indonesian ambassador in London. He said, however, that the Indians are unprepared for the task if the prisoners are to be removed to India and added that the Communist delay in naming an Asian neutral is due to failure to find one willing to assume the responsibility.

The ambassador also said that a member of the Soviet Embassy staff in London had sounded him out on the possibility of Indonesia serving as the neutral trustee.

Comment: Press reports quote Prime Minister Nehru as saying India would "consider" a request to take custody of unwilling Korean war prisoners "when it comes before us."

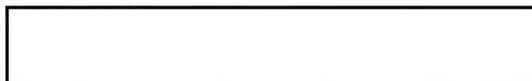
A high official source in Djakarta told the press that Indonesia could not accept the request if it were offered because of the country's unsettled internal situation.

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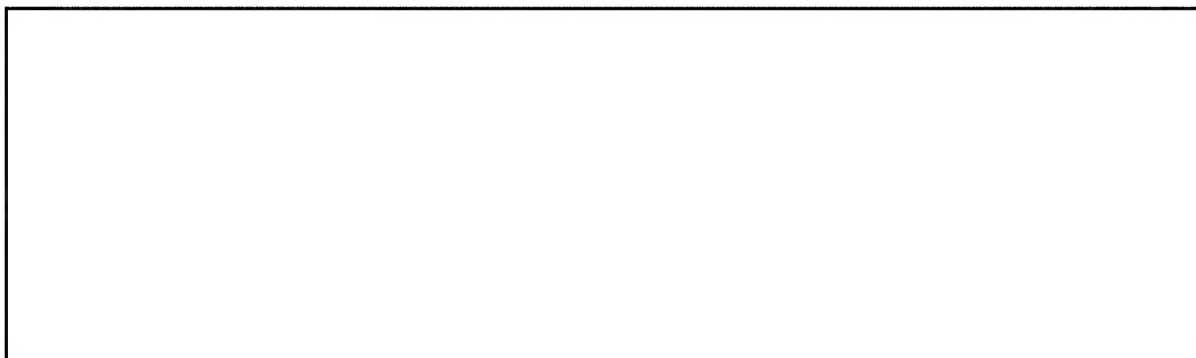


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FAR EAST

3. Japan expected to prohibit future purchases of Iranian oil:

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The Japanese Government is likely to deny any future allocations of foreign exchange for the purchase of Iranian oil, according to the American Embassy in Tokyo. The Foreign

Ministry points out, however, that the Japanese firm involved in the recent purchase still has sufficient exchange to finance from two to four additional shiploads of oil, and states that it is impossible to withdraw these funds.

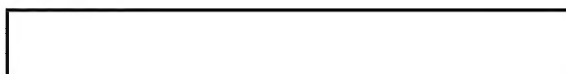
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The Japanese Government has taken the position that it had no prior knowledge of the recent transaction, although it is probable that key officials of the Ministries of Finance and of International Trade and Industry were aware of it.

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SOUTHEAST ASIA

4. French headquarters sees Viet Minh offensive in Laos near end:

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[REDACTED] The major Viet Minh effort in Laos may be near an end for this season, according to French headquarters in Saigon. Two enemy divisions are withdrawing to the north and it is believed that the Viet Minh, lacking a preponderance of force, will not attack Luang Prabang.

Forces amounting to about a division are expected to stay in the Xieng Khouang area. There the Communists can engage in propaganda activities, organize regional military units, and contain the French defensive force.

The US Army attache observes that the Viet Minh probably planned originally to occupy only a portion of north-eastern Laos, but decided to capitalize on the French retreat from Sam Neua to make a deeper penetration. The Communists may thus, at very little cost, have already accomplished far more than they expected.

Comment: The Viet Minh has won an important strategic victory regardless of further advances. It is now established on several important tributaries of the Mekong River and can build up large supplies for future drives into French-held territory.

5. French fear Soviet reaction to proposed Laotian UN appeal:

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[REDACTED] France has decided not to take the Laotian case to the UN for a number of reasons, one of which is fear that such an appeal would force the Soviet Union to harden its present policy toward Indochina. Foreign Minister Bidault told Ambassador Dillon that Premier Mayer and President Auriol now agree that a declaration condemning the aggression by the 16 powers fighting in

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[REDACTED]

Korea or by the 35 states recognizing Laos would achieve the same results as a UN appeal without the attendant difficulties.

Comment: On 30 April Bidault told Dillon that Mayer and Auriol favored an appeal to the UN.

6. Laos may seek UN support in spite of French:

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The Laotian Government might decide to ask the United States or some other friendly nation, other than France, to bring its case to the United Nations, according to the American charge in Vientiane. He believes this might be done whether Luang Prabang falls or not. He pointed out that the failure to meet the Viet Minh in real battle and the feeling that the French are an obstacle to obtaining more effective American aid are both affecting official opinion in Laos.

Comment: The French decision to refuse the Laotian request for a UN appeal will further strain the relations between the two countries.

The Thai prime minister has expressed his disappointment at the French decision and suggested the possibility that his country might present the Laotian case to the United Nations.

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